

ALERT!


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ALERT #99

TO: Department Controllers, Fiscal Officers and Other Interested Parties

FROM: Clifford W. Hall 
State Controller

DATE: March 19, 1997

SUBJECT: *Additional Guidance on Recording Incentive Awards for State Employees
More Information on the Internet*

Additional Guidance on Recording Incentive Awards for State Employees

In response to Executive Order D0007-96 approved by Governor Roy Romer on July 11, 1996, Alert #94 included a discussion on the taxability of certain employee service awards. Subsequent to this alert we received questions about how such awards should be recorded in COFRS. Following is additional guidance on how agencies should record employee incentive awards.

- It is the responsibility of the agency controller to ensure employee incentive awards are properly accounted for in COFRS. To facilitate this, two new object codes have been established. Object code 1340 should be used to record employee cash incentive awards. Object code 1350 should be used to record employee non-cash incentive awards. Cash incentive awards should be disbursed through the accounts payable system rather than the State's payroll system (CPPS). Institutions of higher education may use any of their systems (other than CPPS) to make these disbursements as long as the amounts are properly reported in COFRS.
- It is the responsibility of the agency controller to report to central payroll (through CPPS) any employee incentive awards (cash or non-cash) reportable as income on an employee's W-2. Institutions of higher education not using CPPS should ensure amounts are properly reported on their employee's W-2. Following are the criteria for reporting employee awards for IRS purposes:
 1. All cash awards are reportable on an employee's W-2 regardless of dollar amount.
 2. All non-cash awards greater than \$100 (individually or in aggregate) during the calendar year are reportable on an employee's W-2.
 3. Non-cash awards of \$100 or less are NOT reportable on an employee's W-2 unless they exceed \$100 in aggregate during any calendar year.
 4. Certain types of employee awards (e.g., bus passes, employee parking, length of service, and safety) have special exemptions and limits. IRS guidelines should be consulted for these types of items.



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As noted in the previous alert, an administrative process needs to be developed by each department generating these types of payments. Question about taxability of incentive awards should be directed to Phil Holtmann at 303/866-3809. Questions about the administrative process to capture incentive awards for tax purposes should be addressed to the agency controller/payroll officer or the state payroll office at 303/866-3810.

More Information on the Internet

Additional reports and information have been added to the State Controller's Web Site (http://www.state.co.us/gov_dir/gss/acc).

- Comprehensive Annual Financial Report
- TABOR Report
- Higher Education Accounting Standards